

Message Text

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INFO OCT-01 ISO-00 TRSE-00 AGR-05 CIAE-00 INR-05 NSAE-00

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DRAFTED BY ARA/PAN:PFMORRIS:JVC

APPROVED BY ARA:AMB. BOWDLER

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FM SECSTATE WASHDC

TO AMEMBASSY PANAMA IMMEDIATE

C O N F I D E N T I A L STATE 252484

E.O. 11652: GDS

TAGS: ETRD, PN

SUBJECT: BANANA TAX

REF: MORRIS-JORDEN TELECON NOVEMBER 14

1. MESSRS. GALLOP, TAYLOR, SKELLY AND BAKER OF UNITED BRANDS CALLED ON DEPUTY ASSISTANT SECRETARY BOWDLER TO INFORM THE DEPARTMENT OF THE LATEST DEVELOPMENTS IN THEIR NEGOTIATIONS WITH PANAMA ON THEIR BANANA PROPERTIES AND THE BANANA TAX.

2. THEY PROVIDED US WITH COPIES OF MEMORANDA WHICH DESCRIBE THE VARIOUS MEETINGS WHICH HAVE TAKEN PLACE BETWEEN THE COMPANY AND PANAMANIAN OFFICIALS AND ALSO COPIES OF EXCHANGES OF CORRESPONDENCE BETWEEN THE COMPANY AND PANAMA (COPIES BEING POUCHED).

3. IN ADDITION TO THE MEETINGS MENTIONED IN THE MEMORANDA THEY TOLD US ABOUT RECENT SECRET SESSIONS IN WHICH COMPANY OFFICIALS (TAYLOR AND SKELLY) MET WITH GERARDO GONZALEZ -- ONE IN HOUSTON, TEXAS AND ONE IN PANAMA DURING WHICH SIGNIFICANT PROGRESS SEEMED TO BE ACHIEVED. HOWEVER, A SUBSEQUENT SECRET SESSION IN WHICH
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VICE PRESIDENT SUCRE AND JAIME ARIAS WERE TO PARTICIPATE

WITH GONZALEZ DID NOT TAKE PLACE AND TAYLOR RETURNED TO THE U.S. NOT HAVING COMPLETED THE NEGOTIATION BUT UNDER THE IMPRESSION THAT THE PROSPECTS FOR A RESOLUTION OF

DIFFERENCES WERE GOOD.

4. A NOVEMBER 2 STORY IN THE "ESTRELLA DE PANAMA" INDICATING THAT THE UB PANAMANIAN SUBSIDIARY OWED \$7,952,312.95 IN BACK TAXES WAS NOTED BY THE COMPANY WITHOUT UNDUE ALARM BECAUSE OF THE IMPRESSION THAT THE SECRET TALKS HAD PROCEEDED SATISFACTORILY. HOWEVER, THEY WERE INFORMED ON NOVEMBER 13 THAT THE REGIONAL TAX OFFICE LOCATED IN DAVID HAS ISSUED A RESOLUTION ORDERING THE PAYMENT OF THE TAX. EFFORTS BY THE COMPANY IN BOSTON TO REACH PANAMANIAN GOVERNMENT OFFICIALS BY TELEPHONE TO GET CLARIFICATION ON THE TAX HAVE BEEN UNSUCCESSFUL. ON NOV. 15 THEY DISPATCHED BOBBY WALKER TO PANAMA TO TALK TO GOVERNMENT OFFICIALS. THEIR OBJECTIVE IS TO TRY TO CLARIFY THE PRESENT STATE OF NEGOTIATIONS, GET A BETTER READING ON THE REASONS FOR THE TAX CLAIM BEING INTRODUCED AT THIS TIME AND TO TRY TO CONVINCE THE GOVERNMENT TO POSTPONE ACTION ON THE CLAIM UNTIL IT CAN BE CONSIDERED WITHIN THE CONTEXT OF THE ON-GOING NEGOTIATION.

5. BECAUSE THEY HAVE BEEN UNSUCCESSFUL IN MAKING CONTACT WITH GOP OFFICIALS THEY HAVE ASKED DEPARTMENT ASSISTANCE IN TRYING TO GET INFORMATION ON THE GOP'S ATTITUDE TOWARD THE NEGOTIATION AND A CLARIFICATION ON THE REASONS FOR THE TAX MATTER BEING RAISED AT THIS TIME. WALKER HAS BEEN INSTRUCTED BY UB TO CONTACT THE EMBASSY DURING HIS PRESENT STAY IN PANAMA.

6. PER MORRIS-JORDEN TELECON EMBASSY AT ITS DISCRETION IS REQUESTED TO CONTACT GOP OFFICIALS FOR CLARIFICATION. KISSINGER

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